

Comments for "Consultation Document" Broadening the Tax Base – Ensuring Our Future Prosperity

1. Asking for comments on a topic such as this puts us the reader at a severe disadvantage because you, the government and originator of the proposal, hold all the cards – you've been studying this subject for years, you have all the statistics, you've had the benefit of the work of an Advisory Committee, and you have legions of staff and equipment to analyze, dissect, and reformulate your proposal. Plus, you are the receptacle of all the comments, which you can keep, dispose of, or disclose of as you please. We see only what you want us to see. It's not like you are pledged to reveal the truth, the whole truth, and nothing but the truth.
2. Yet, despite the abundance of resources and information available to the government in doing this analysis and preparing this document, there are holes in your analysis and conclusions.
3. The key objective that you wish to ascribe to is: To ensure Hong Kong's future prosperity. To achieve this requires maintaining HK's competitive position, keeping HK's status attractive to investors and talent, making HK an enjoyable place to live and work, and mitigating the effects of future economic downturns.
4. While the GST is one of the ways to mitigating the effect of future economic downturns, there are other ways as well. (1) Use of monetary reserves. The fact that it is called a "reserve" implies that eventually a reserve will be used for a rainy day. In good times, a reserve is built up, and when times are tough, the reserve is used to even out the downturn. Why can't Hong Kong do the same? The reserve doesn't belong to the government or the paper administrators; the reserve belongs to the people. (2) If future revenues cannot be guaranteed or predicted with any degree of accuracy, then expenditures have to be adjusted to conform to what the revenues can support. This is just basic budget sense. Don't live beyond your means. In future downturns, government will have to cut back – on both annual and capital spending.
5. The key issue is not the broadening of the tax base. In fact, you probably have no idea what the real tax base is. Your study merely looked at the simple figures and because salary tax is collected from only x number of

people, you simplistically concluded that is the tax base. The "real" tax base is far wider and larger because of the implied tax that we pay due to the higher land and property prices caused by HK's land policies. And everybody pays this tax, through higher property prices, rentals, and higher cost of goods and services passed on as a result of the high property prices. The real tax that the HK consumer pays should be a study that your economists should undertake. It might be quite revealing.

6. You've heard the saying, "If it ain't broke, don't fix it." And if you do try to fix it, you never know if what results is nothing like you can foresee and it comes out far worse than when you started. An argument can be made that introducing the GST will have effects that will destroy what made HK unique and attractive in the past. Why mess with something that has worked so well for so long? Who knows when the next economic downturn may occur, maybe not for a long time, and by then, the economy and the reserves may be so strong that the downturn will not affect much of anything.
7. I don't know how much in money and resources have been devoted to this project and study of GST, but whatever the amount of resources, your priorities are all screwed up. Far more important are issues like cleaning up the environment and ridding the air of pollutants and their polluters, combatting crime and criminal activity of all types, solving transport problems like overloaded and ill-equipped trucks causing accidents, making Hong Kong a more pleasant place, reasonably priced, to live, and ensuring Hong Kong is free of any terrorist activity. Please disclose how much in money and resources have been spent thus far on studying GST and preparing for this consultation.
8. These issues are what are important to Hong Kong people, and whether you are elected or appointed to your job, your job is to satisfy the wishes of the people, and not to some far fetched policy idea of your own making. Ensuring Hong Kong's future prosperity requires a much broader perspective than you have so far demonstrated. God help Hong Kong if you persist on your present course.
9. If the real objective is to develop a more stable source of revenue, then Hong Kong should consider allowing casino operations on land. We already tacitly permit casino gambling by permitting the overnight cruise ships to dock and take on passengers for offshore onboard casino

gambling once outside the HK 3 mile limit. Why not permit the ships to stay docked in HK waters, thereby saving use of oil and lessening marine pollution.

10. HK people continue to go to Macau for gambling, and yet when we go, we have to suffer the wretched service of the jetfoil fleet and the surly attitude of the Macanese, especially the immigration and the local casino staff. Why not provide an alternative for the HK people who are going to spend their money on gambling anyway, and keep the money here? Casino gambling is fairer to the punter than horse racing, because horse racing, and even soccer football, can be fixed. If you have the courage, this is the optimal path you should take. Macau has shown that, in good times and bad, the tax revenue just keeps rolling in. Don't be ashamed to copy their success. Hong Kong could no doubt do a far better job than Macau. If Singapore can permit casino operations, so can Hong Kong.
11. I haven't had the time to study in detail the various analyses, charts, statistics, tables, etc contained in the consultation document. From the cursory review that I made, I'm sure that you have shown the statistics in such a way that it bolsters your case, but like in many business school and economic analyses, one can contort statistics to show and support almost any position that one wishes to take. What grade would a professor from one of HK's business schools give this paper? Have you submitted this document as a sample thesis to be graded? It might be interesting to find out what the academics really think. I heard a sound bite from the head of the business school of HK Baptist University that he thought your zero sum idea was "stupid" (exact word). Well, you need to respond to that.
12. If you want a more detailed comment on the analyses provided in the document, let me know; but if I do that and provide my comments, you have to promise to print the comments in its entirety unchanged. I went to business school too.

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